

# Rick Jacobus and Joshua Abrams

Cornerstone Partnership

NCB Capital Impact



## Cornerstone Partnership

*Keeping Homes Affordable & Communities Strong*

A peer network for homeownership programs that seek to preserve **long-term affordability** and **community stability**, helping more people buy homes today, maintain those homes and keep them affordable in the future.

[www.AffordableOwnership.org](http://www.AffordableOwnership.org)





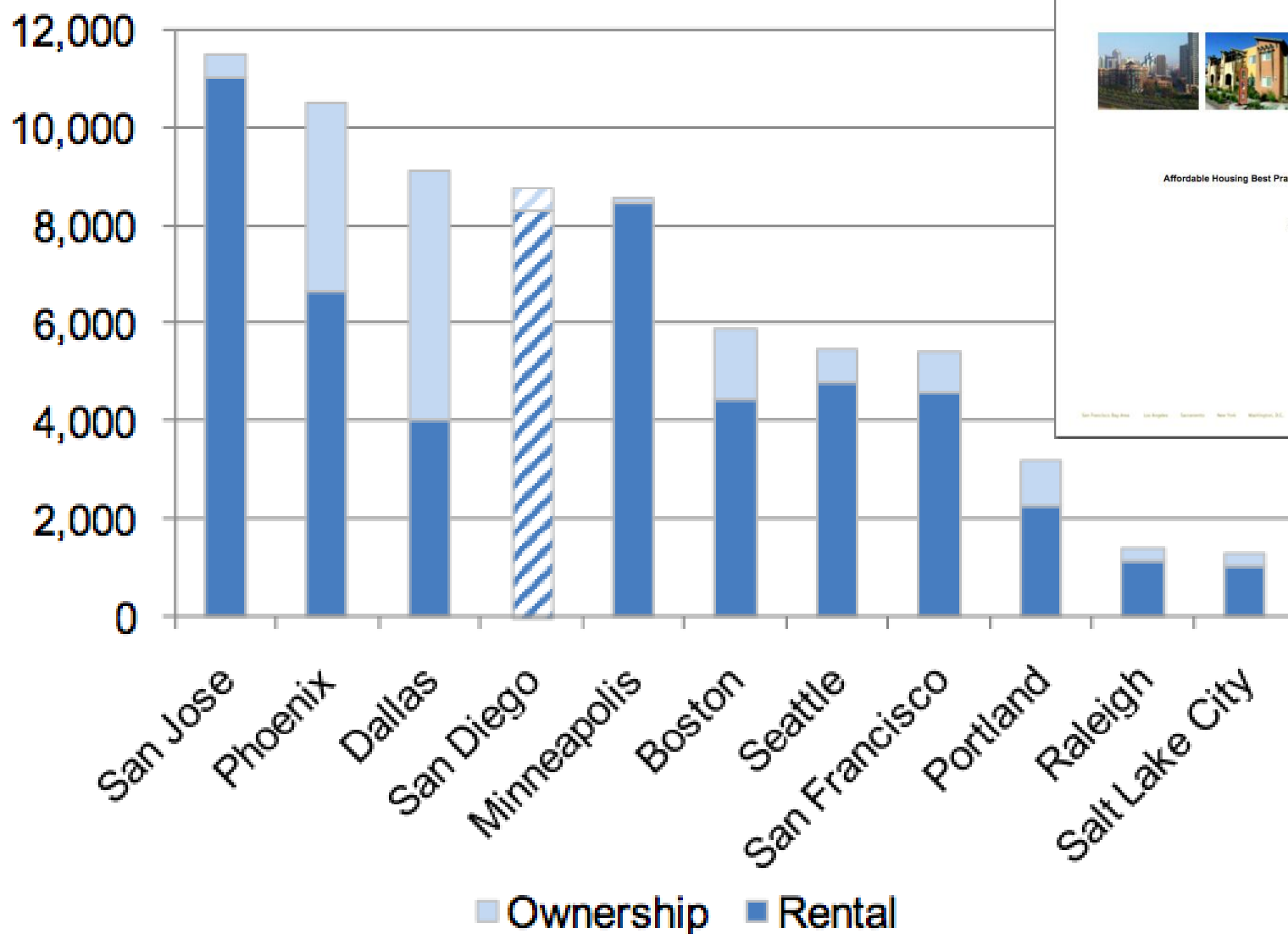
# Common Challenges

1. Balancing Incentives with Benefits
2. Income Targeting
3. Geographic Targeting
4. Flexibility for Developers

# Incentives



# Affordable Units Produced



bae



Affordable Housing Best Practices and Funding Study

Prepared For:  
San Diego Housing Commission

Prepared By:  
Bay Area Economics

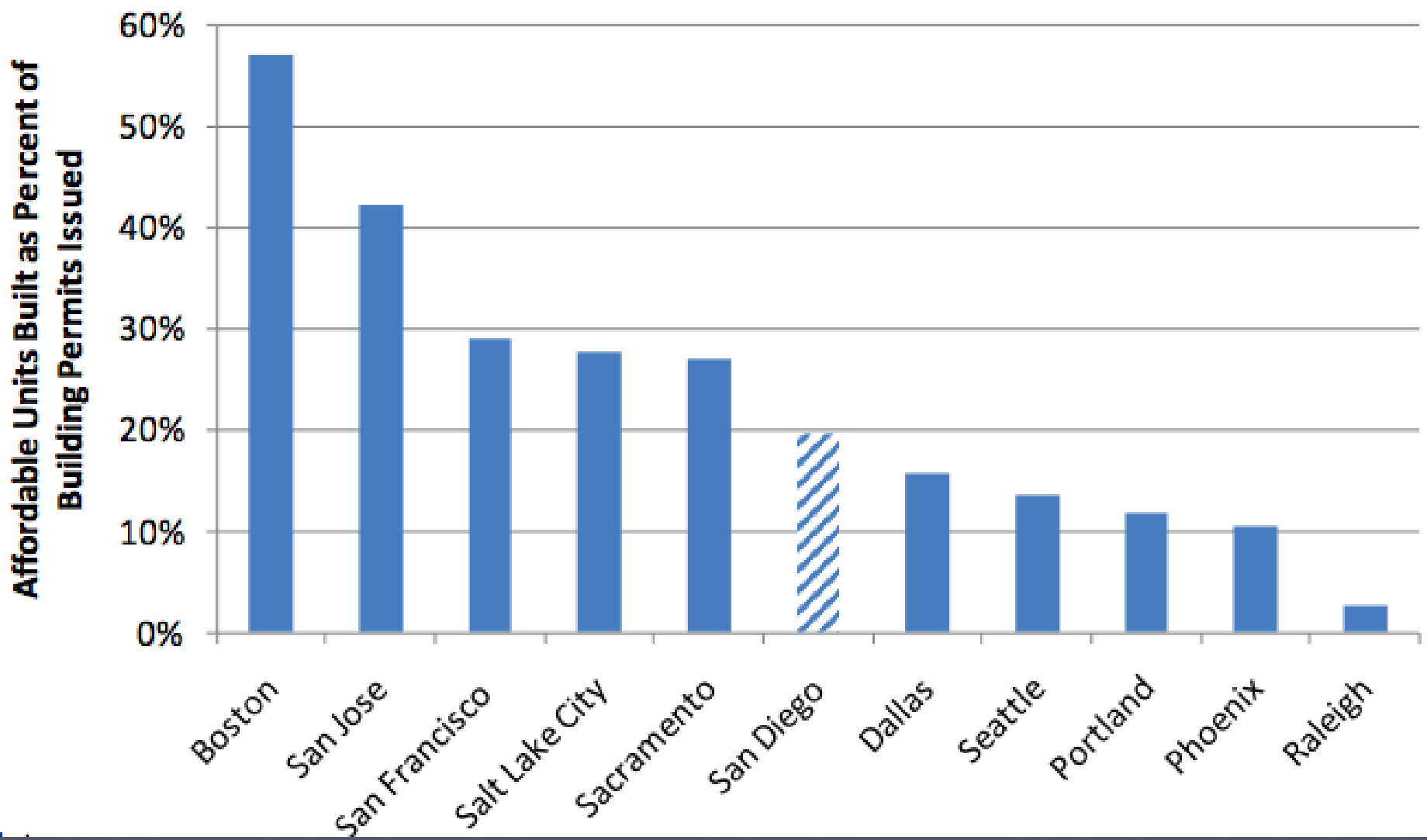
November 1, 2010

Bay Area Economics

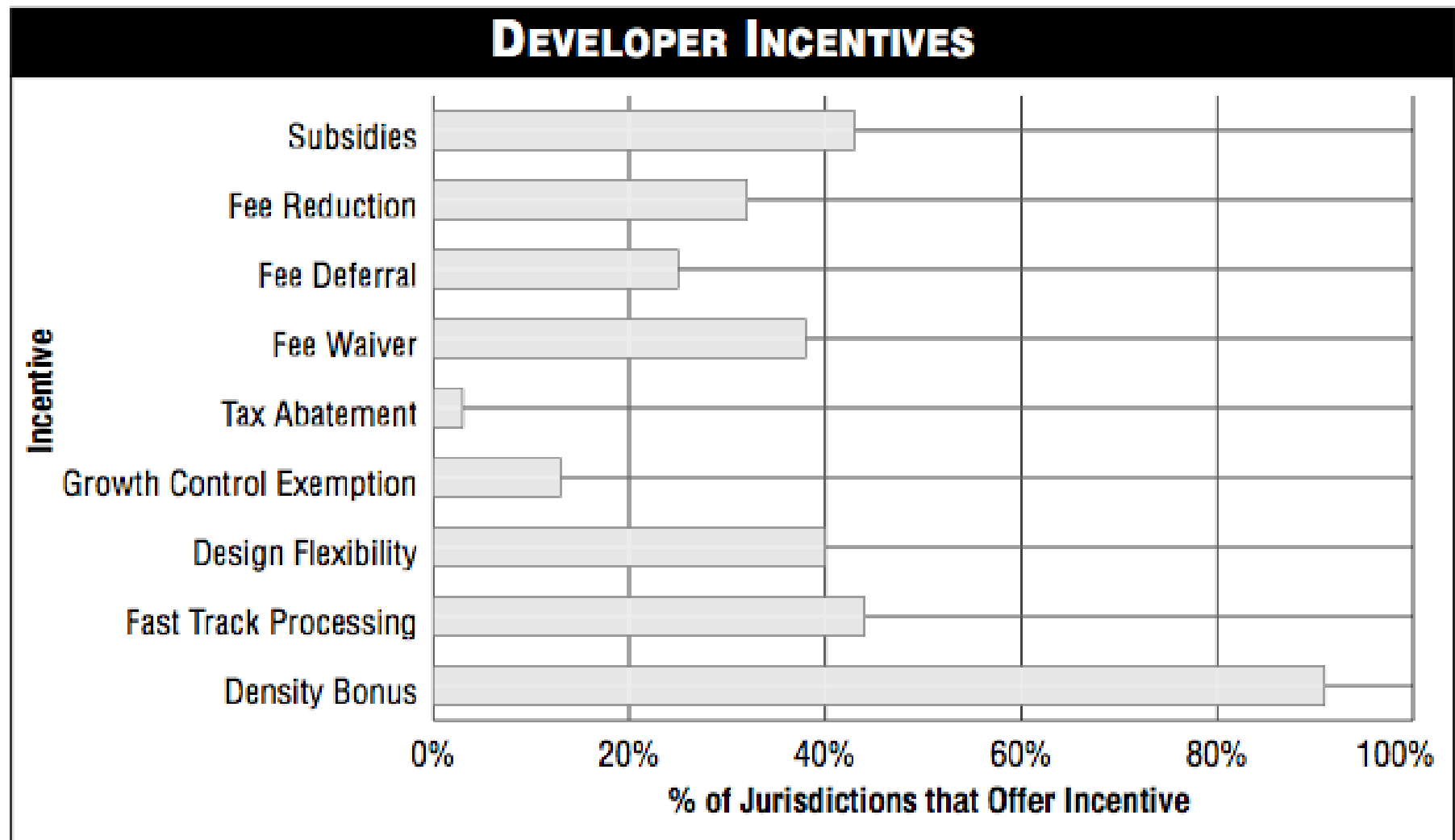
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Sources: Affordable Housing Best Practices Survey, 2010; BAE, 2010.



# Incentives



Source: Nonprofit Housing Association of Northern CA

Net impact  
on Project

=

Opportunity  
Cost

-

Value of  
Incentives



# Opportunity Cost

*Also called “Affordability Gap”*

Ownership: basically the difference in sales price between market rate and affordable units

Rental: Roughly the present value of the difference in monthly rent.

Net impact  
on Project

=

Opportunity  
Cost

-

Value of  
Incentives

Example:

A project provides 10 affordable units at a cost of \$50,000 each = \$500,000 opportunity cost

Net impact  
on Project

=

Opportunity  
Cost

-

Value of  
Incentives

Example:

If the incentives are 'worth' less than \$500,000 then project becomes **less** feasible

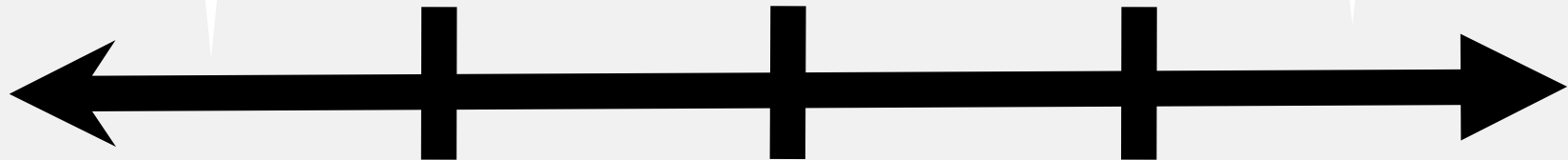
# San Diego Study

- Reduced unit sizes, finishes and parking for IZ units: \$2,000 - 20,000/unit
- Expedited entitlement: \$280 - \$4,400/unit
- Fee waivers: \$480 - 3,500/unit
- Density bonus: \$7,500 - \$15,000/unit

# Net Cost

Calabassas, CA

Livermore, CA



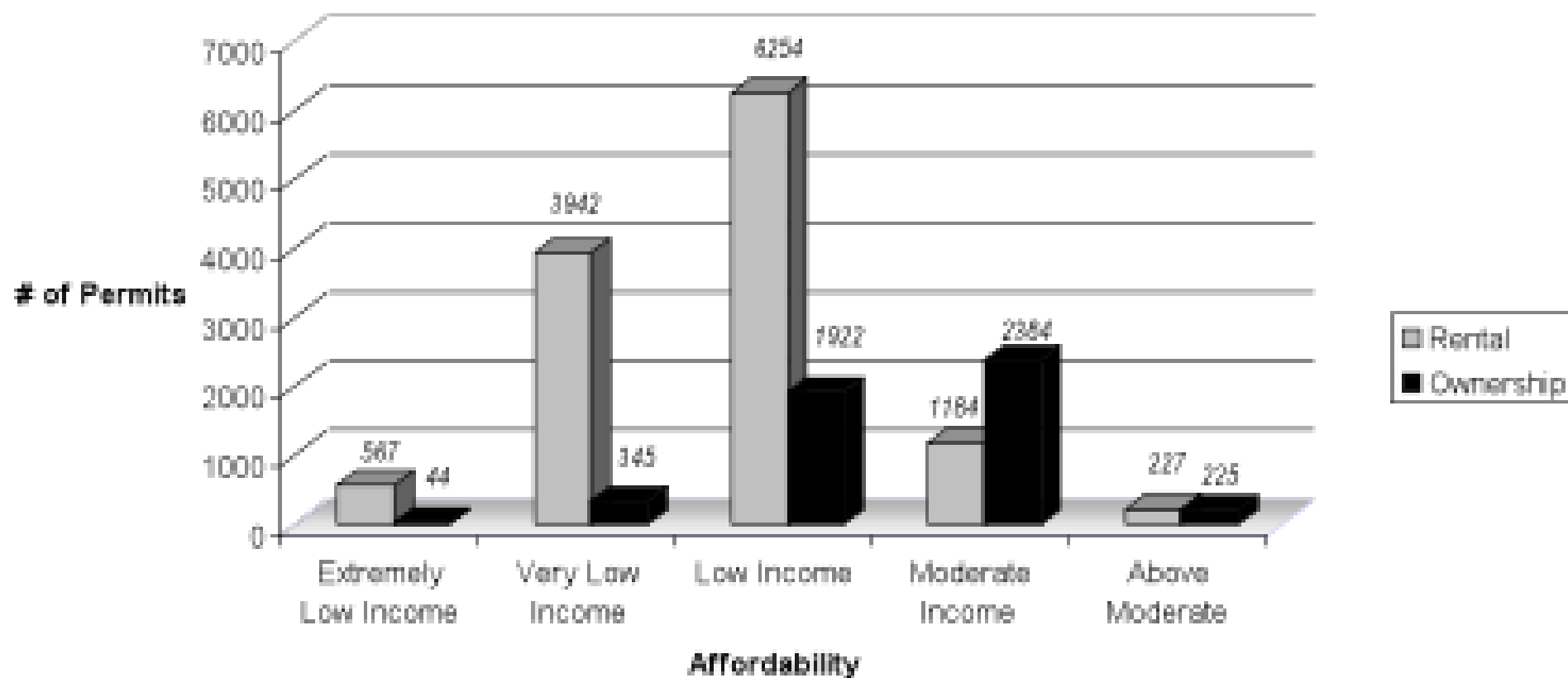
Net Cost = \$0



# Income Targeting



**Distribution of Inclusionary Development Units by Tenure and Affordability**



*Source: Nonprofit Housing Association of Northern CA*

# Serving Lower Income



*“Our program allows us to negotiate a set-aside of fewer units than the 10 percent required if those units are affordable to buyers at a lower income level.”*

*- Large city IZ program staff*



# Mountain View, CA

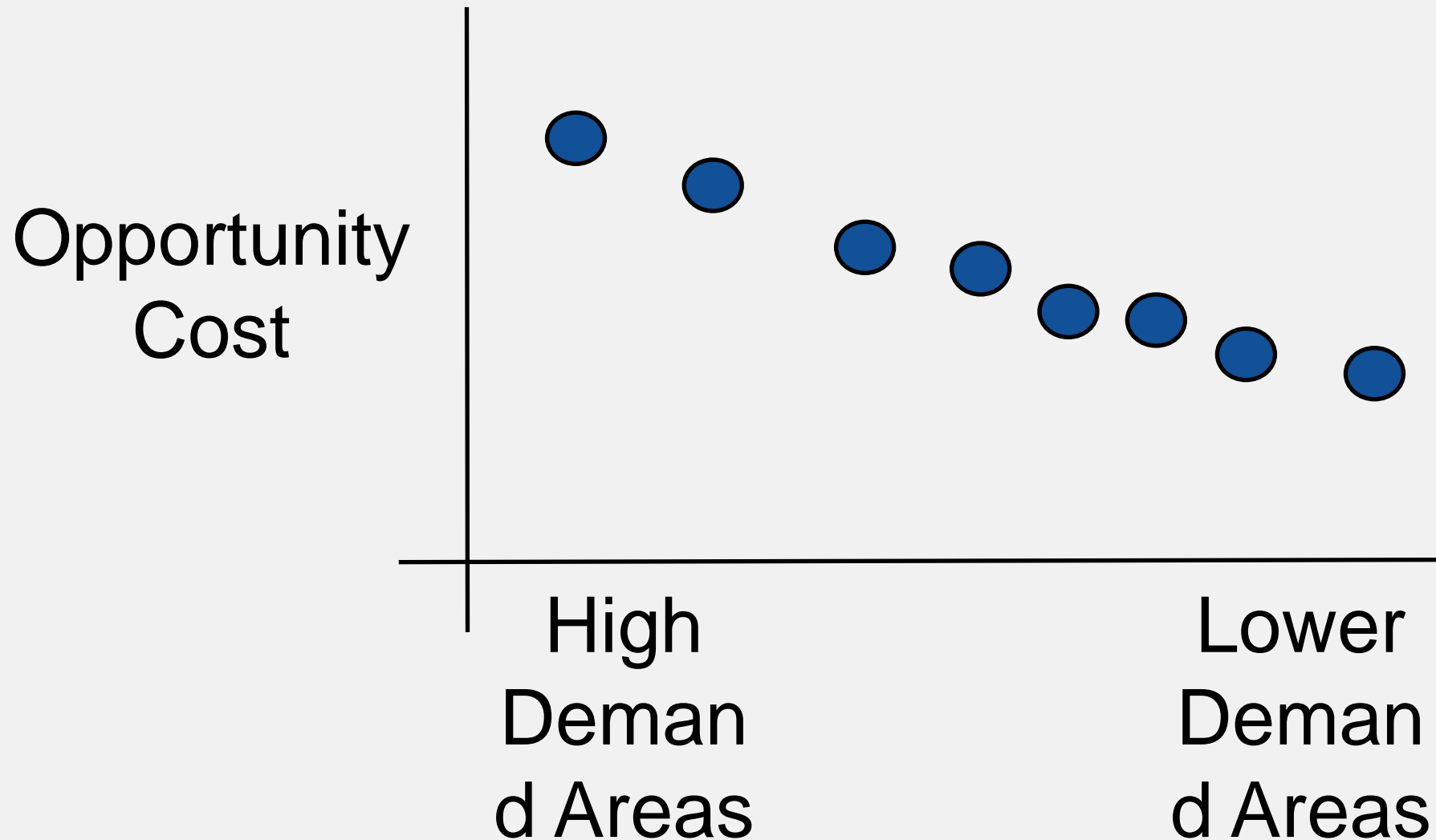
- Developers were only building ownership projects
- Retooled program to encourage developers to choose in-lieu fees.
- Uses fees to subsidize affordable rental projects developed by local nonprofits
- The nonprofit projects serve a lower-income population
- But each project requires additional

# Geographic Targeting

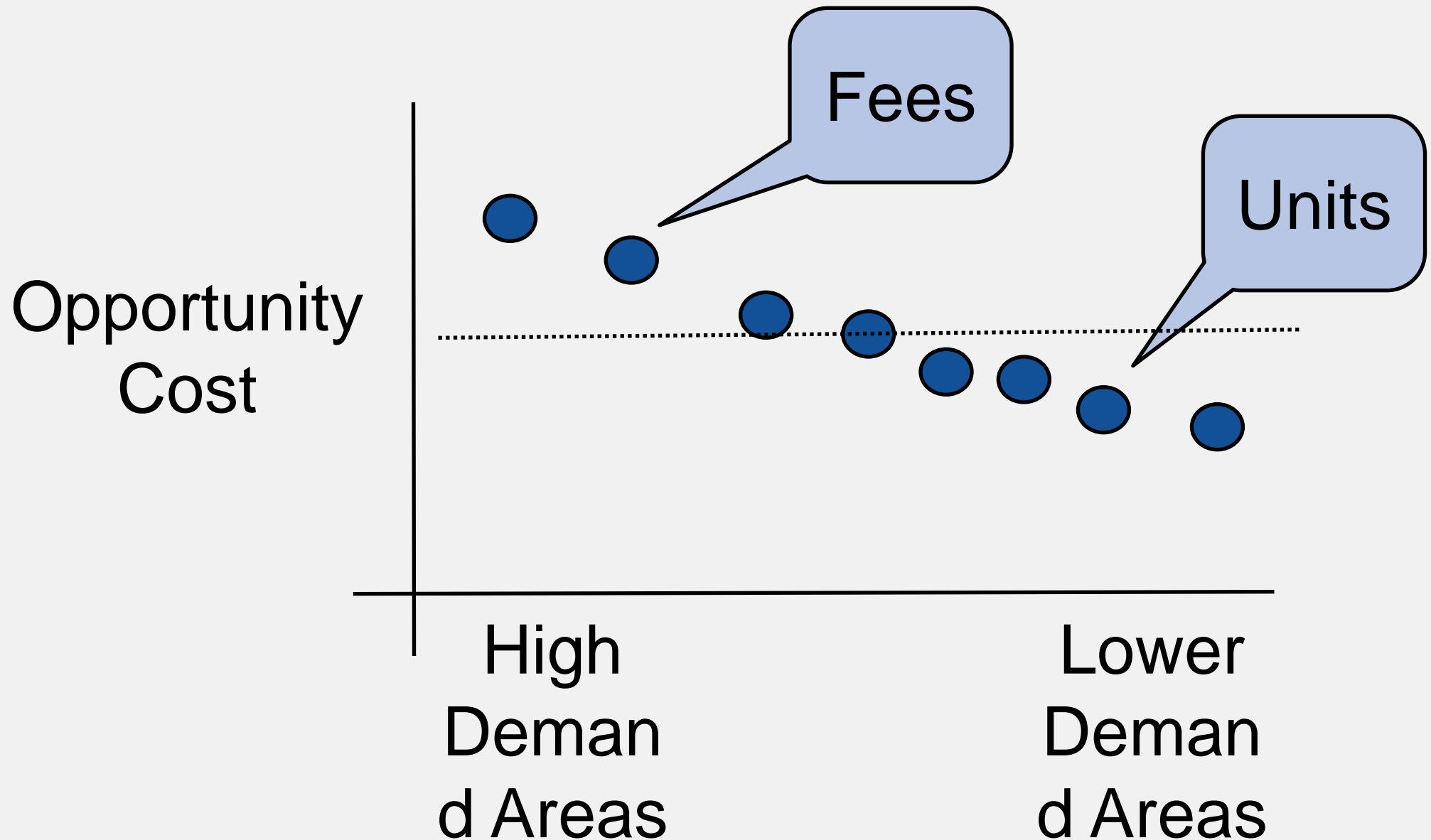




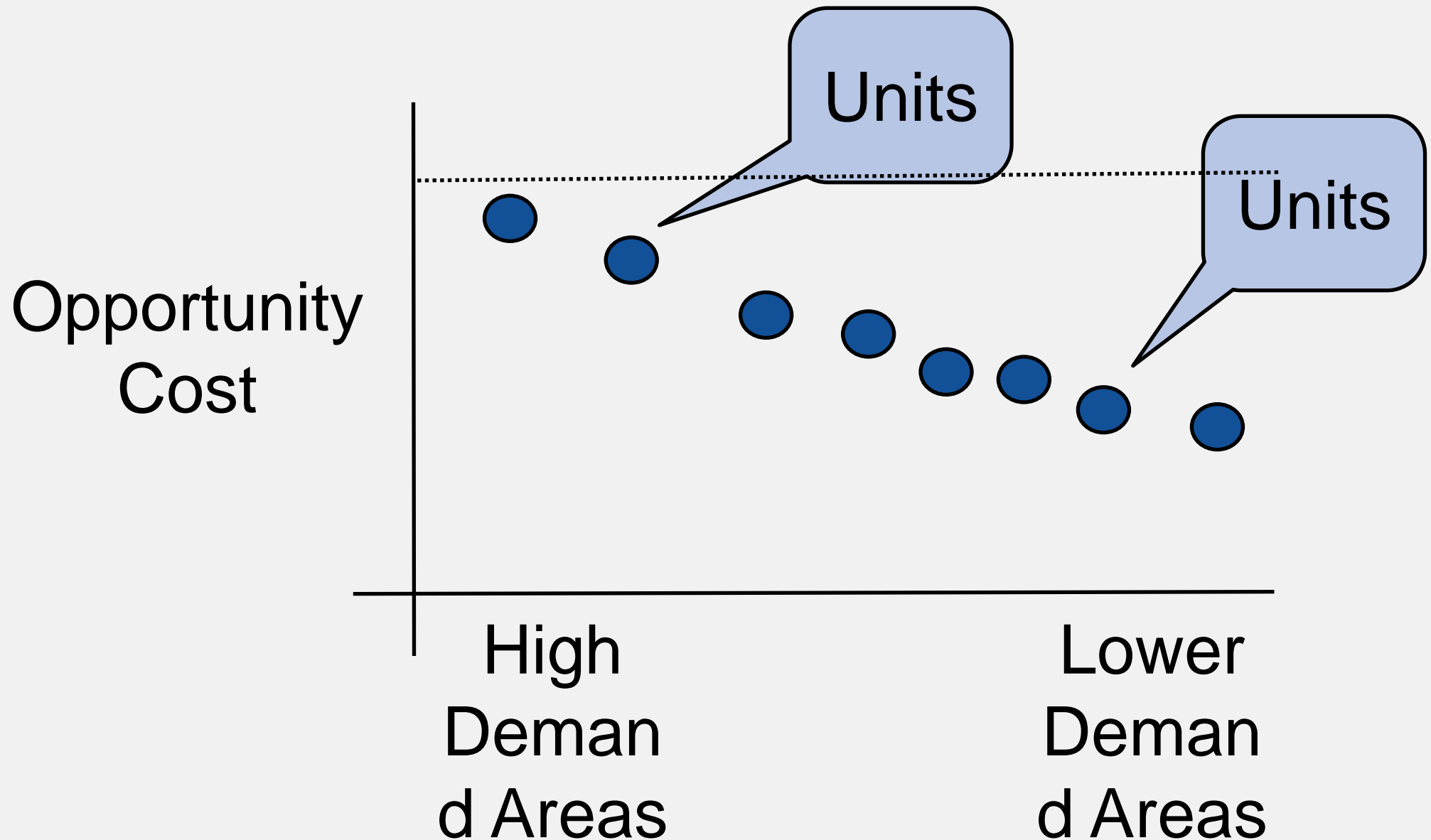
# Opportunity cost differs by neighborhood

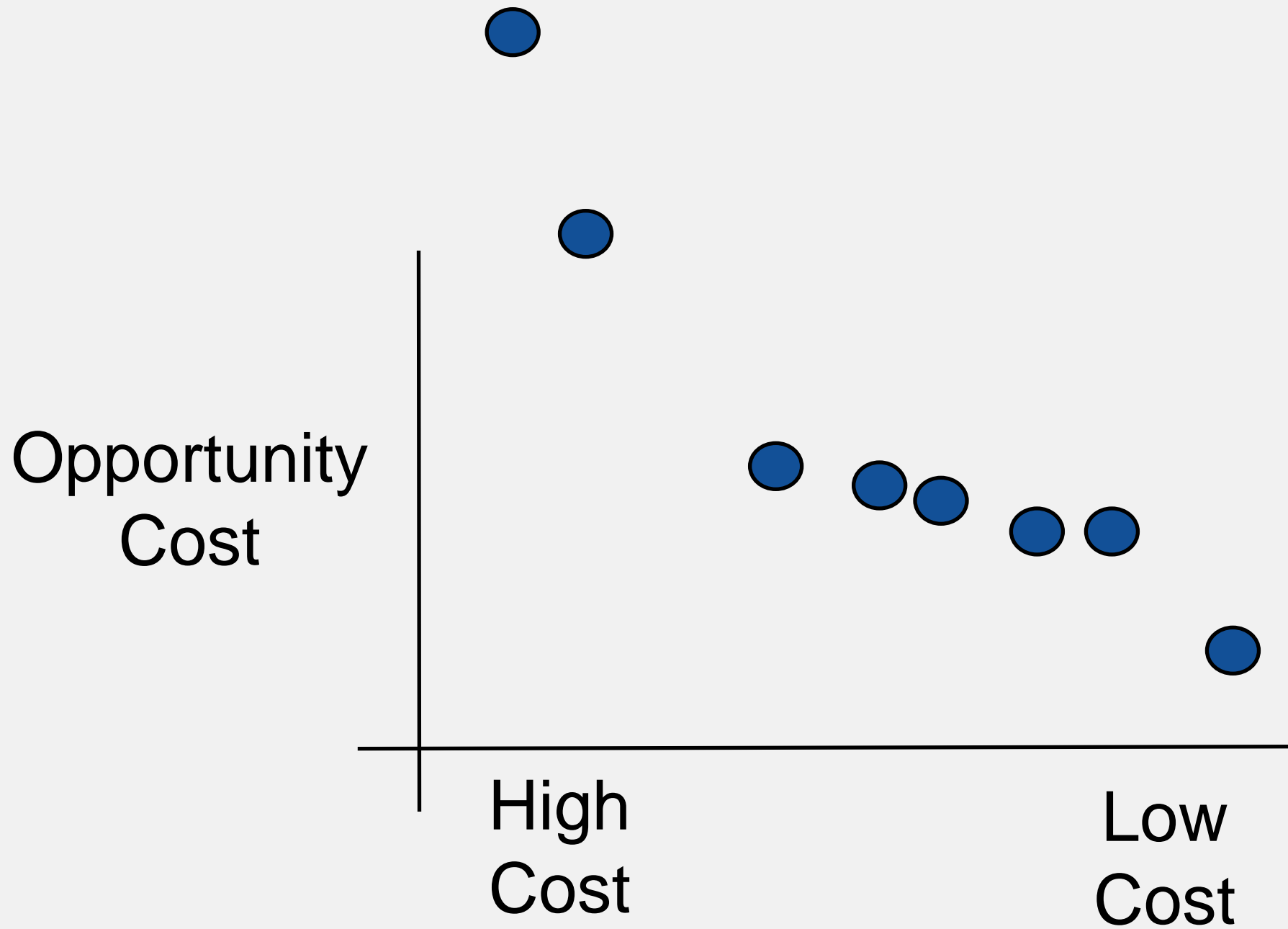


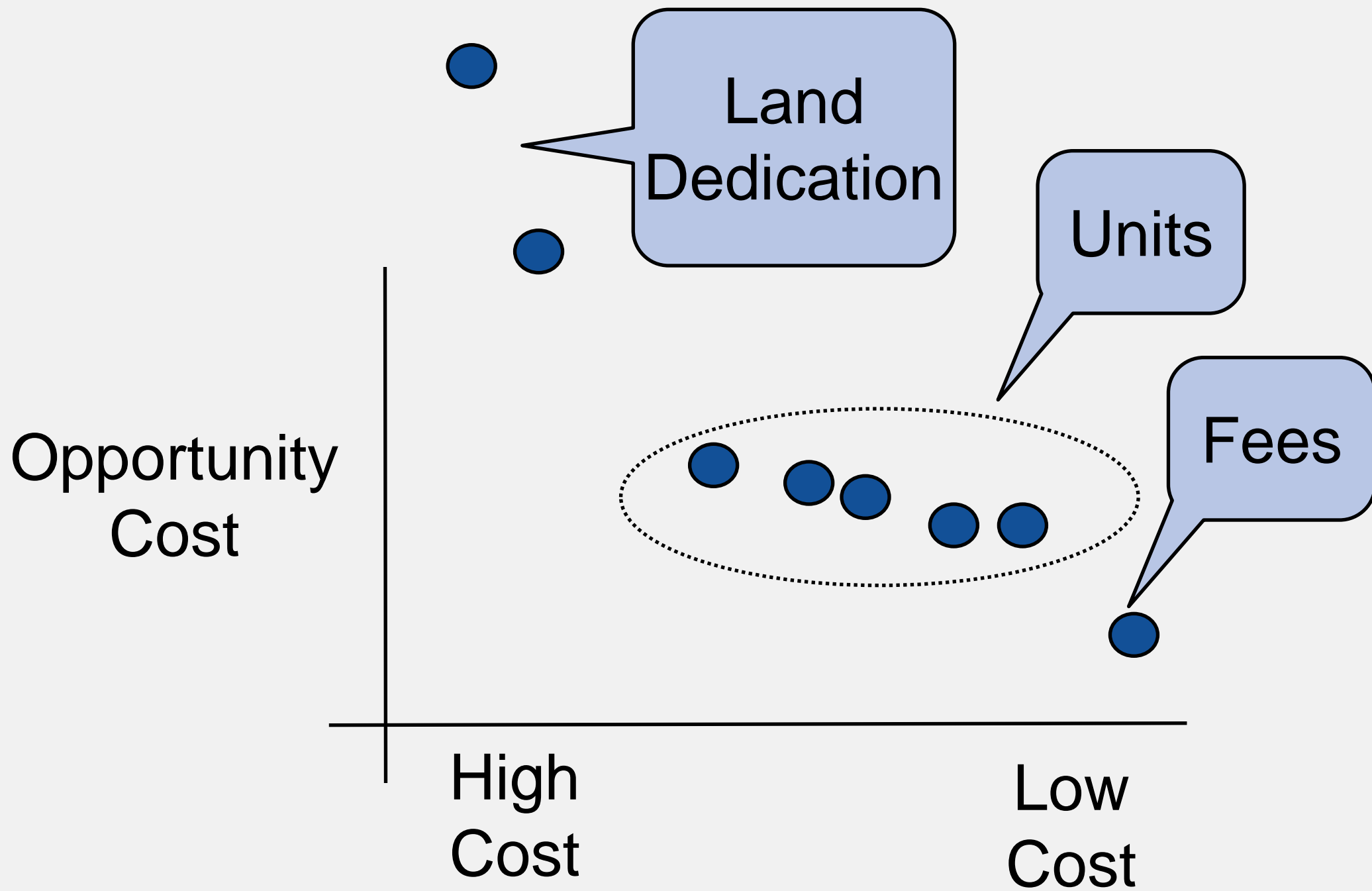
# Low Fee Program



# High Fee Program









# Offsite

San Francisco allows developers who are building in certain neighborhoods an option to produce units offsite as long as the other site is within 1 mile of the primary project.

# Flexibility



*“The traditional way of implementing (inclusionary housing) is often not the most effective in terms of producing the most homes at the most affordable prices. In fact, flexibility and adaption to local market factors are the keys to a more effective and successful program.”*

*“We can only be **flexible** because we have **staff** with the skills to compare very different project options and find the one that provides the most benefit to the community”*

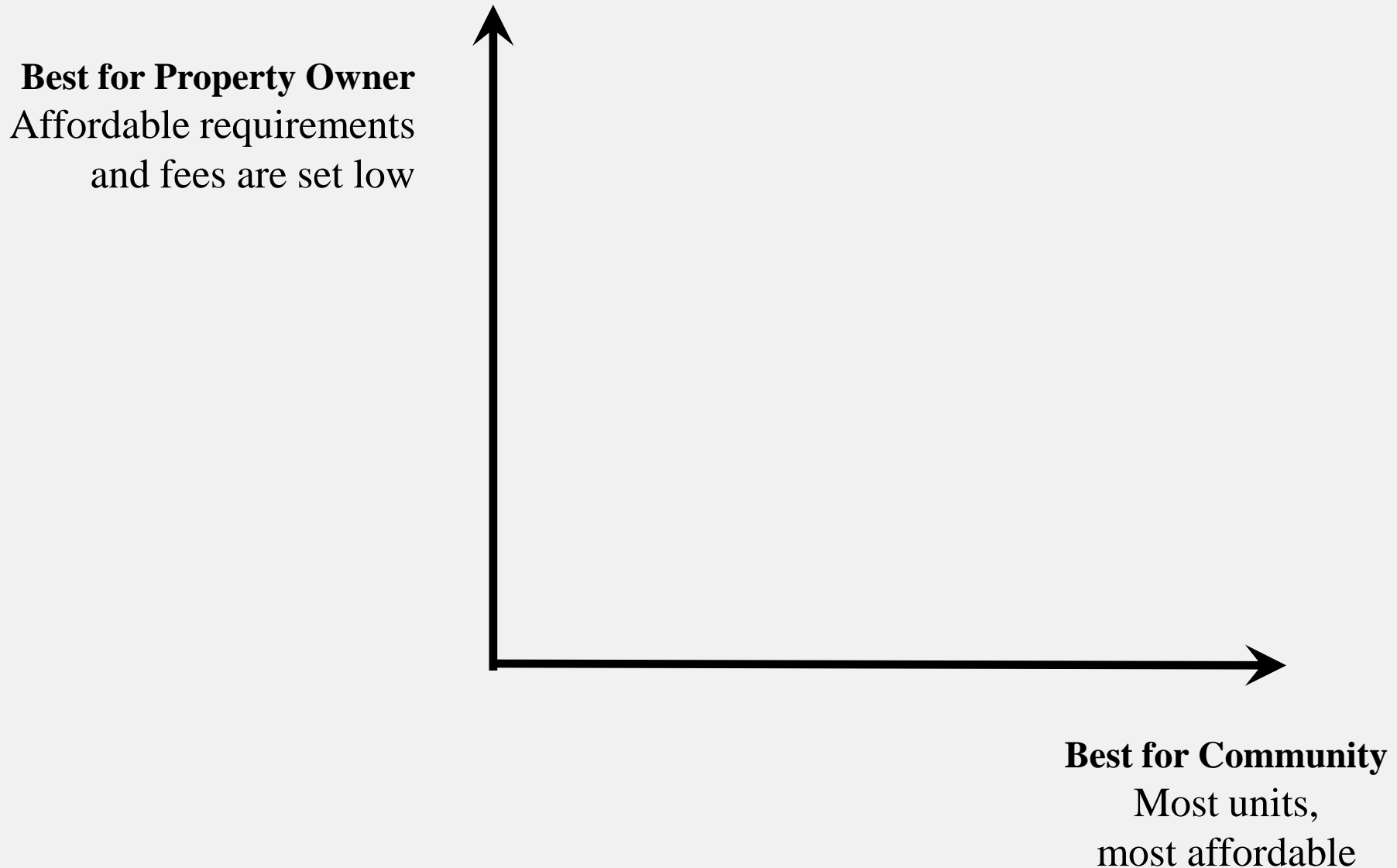
# Balancing Goals



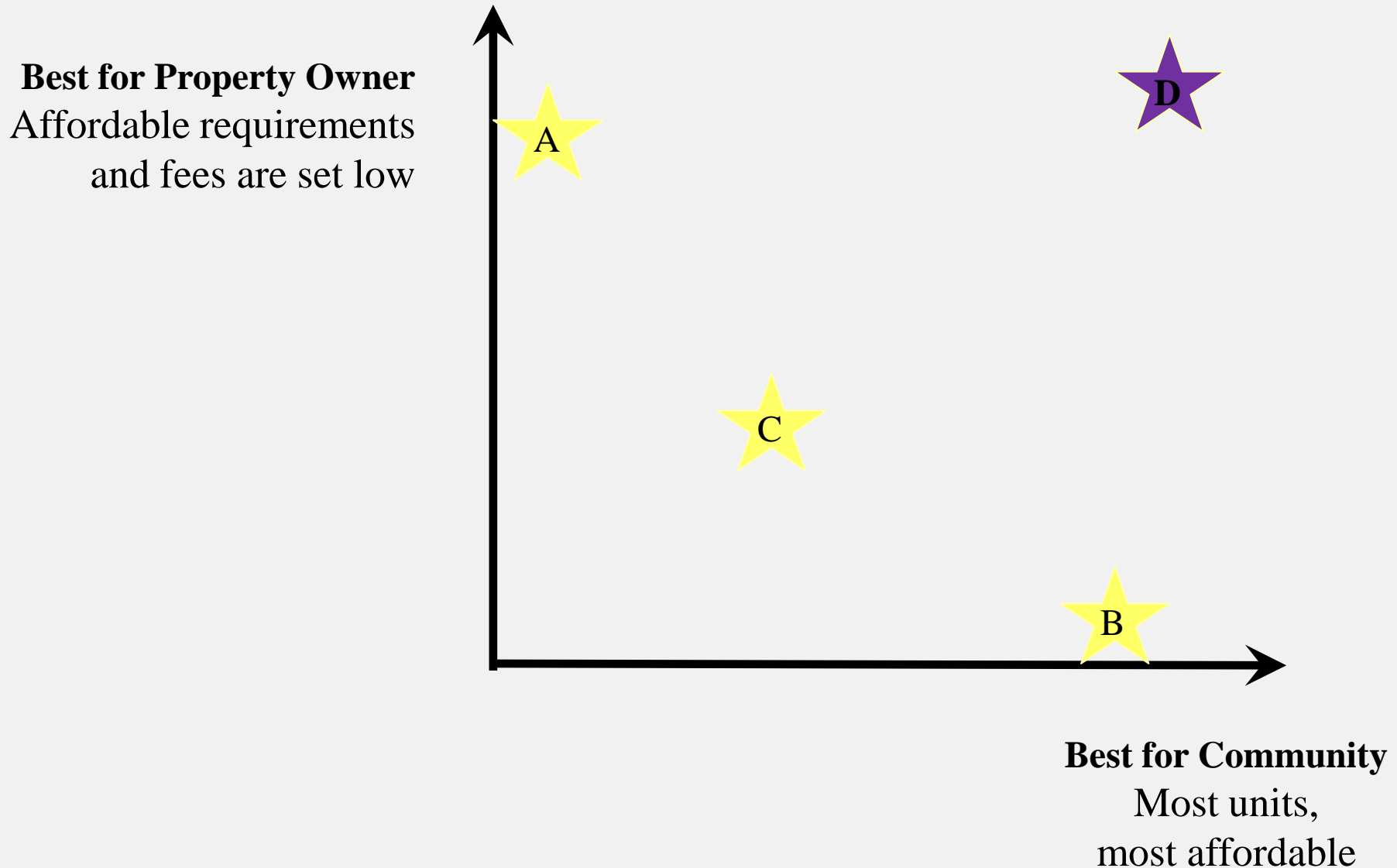
**Best for Property Owner**  
Affordable requirements  
and fees are set low

**Best for Community**  
Most units,  
most affordable

# Balancing Goals

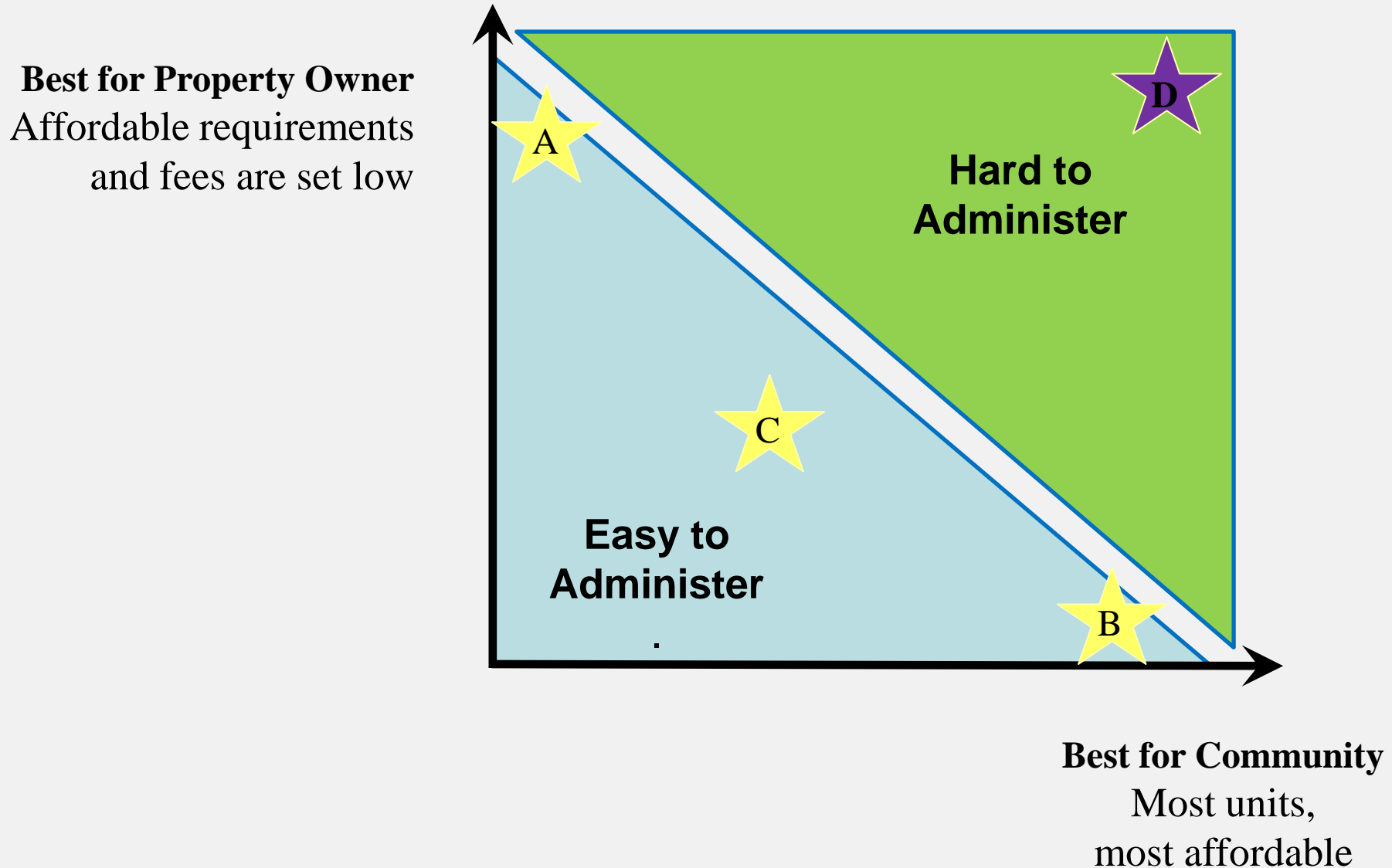


# Balancing Goals





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most affordable

# Examples of Flexibility

- San Francisco has long menu, typical of larger communities
- Fairfax County, VA has one option (On Site) and an Advisory Committee that can approve anything else

# Nonprofit Partners

- Corona Ranch, Petaluma, CA
- Land given to city, passed to nonprofit
- 74 units instead of 30
- “It benefits everyone...We get more bang for our buck.”



# Examples of Flexibility

- Location
- Pricing
- Partners
- Land dedications
- Finishes
- Timing



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